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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

ANNUAL AUDITED REPORT  
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PART III

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Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING JANUARY 1, 2001 AND ENDING DECEMBER 31, 2001  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: SECURED CAPITAL CORP

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

11150 SANTA MONICA BLVD. SUITE 1400

(No. and Street)

LOS ANGELES

(City)

CA

(State)

90025

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

CHRIS GOODMAN310-477-9600

(Area Code — Telephone No.)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

DAHLERBRUCH ACCOUNTANCY CORPORATION

(Name — if individual, state last, first, middle name)

16530 VENTURA BLVD #628

(Address)

(City)

ENCINO, CA 91436

(State)

(Zip Code)

## CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

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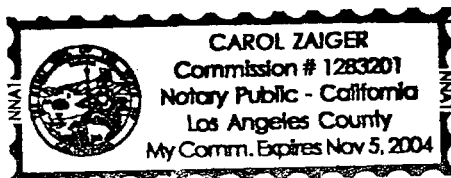
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THOMSON  
FINANCIAL

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

## OATH OR AFFIRMATION

I, D. MICHAEL VAN KONYNENBURG, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SECURED CAPITAL CORP, as of DECEMBER 31, 19 2001 are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



[Signature]  
Signature  
President  
Title

[Signature]  
Notary Public

This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

## **SECURED CAPITAL CORP**

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# DAHLERBRUCH ACCOUNTANCY CORPORATION

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Craig Dahlerbruch, CPA  
Laurie A. Dahlerbruch, CPA

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders  
of Secured Capital Corp

We have audited the accompanying balance sheets of Secured Capital Corp as of December 31, 2001 and 2000, and the related statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Secured Capital Corp as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules 1, 2, 3, and 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Schedules 2, 3, and 4 contain supplementary information required by rule 17a-5 under the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Dahlerbruch Accountancy Corporation*

Dahlerbruch Accountancy Corporation  
February 21, 2002

# SECURED CAPITAL CORP

## BALANCE SHEET DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
<b>ASSETS</b>		
Current assets		
Cash (note 1)	\$ 5,351,742	\$ 4,238,816
Accounts receivable	1,146,508	1,342,800
Employee and other receivables	49,403	74,640
Prepaid expenses	199,307	151,670
Due from affiliates (note 6)	2,093,568	1,206,701
Total current assets	<u>8,840,528</u>	<u>7,014,627</u>
Property and equipment (notes 1 and 2)	738,718	810,139
Other assets	<u>241,432</u>	<u>240,523</u>
Total assets	<u>\$ 9,820,678</u>	<u>\$ 8,065,289</u>

## LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities		
Accounts payable and accrued expenses	\$ 4,183,648	\$ 3,092,020
Total liabilities	<u>4,183,648</u>	<u>3,092,020</u>
Commitments and contingencies (note 3)	-	-
Stockholders' equity		
Common stock, par value \$.01 per share, 900 shares authorized, 630 shares issued and outstanding	6	6
Additional paid in capital	89,272	89,272
Retained earnings	5,547,752	4,883,991
Total stockholders' equity	<u>5,637,030</u>	<u>4,973,269</u>
Total liabilities and stockholders' equity	<u>\$ 9,820,678</u>	<u>\$ 8,065,289</u>

The accompanying notes are an integral part of the financial statements

# SECURED CAPITAL CORP

## STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001		2000	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Revenue	\$ 25,748,396	100.0	\$ 22,973,467	100.0
Direct expenses				
Wages and employee benefits	14,186,882	55.1	12,008,927	52.2
Commissions	3,298,285	12.8	3,487,551	15.2
Printing	1,619,499	6.3	885,044	3.9
Travel and entertainment	1,061,469	4.1	1,197,608	5.2
Due diligence	289,387	1.1	366,628	1.6
Project inspections	172,415	0.7	93,043	0.4
Delivery	148,106	0.6	91,976	0.4
Asset servicing costs	86,444	0.3	111,002	0.5
Total direct expenses	<u>20,862,487</u>	<u>81.0</u>	<u>18,241,779</u>	<u>79.4</u>
Earnings from operations	4,885,909	19.0	4,731,688	20.6
General and administrative expenses (Schedule 1)	<u>4,269,137</u>	<u>16.5</u>	<u>3,431,908</u>	<u>14.9</u>
Income before other income and expense	<u>616,772</u>	<u>2.5</u>	<u>1,299,780</u>	<u>5.7</u>
Other income and (expense)				
Interest income	104,882	0.4	139,193	0.6
Loss on disposal of equipment	(19,647)	(0.1)	-	0.0
Income taxes	<u>(38,246)</u>	<u>(0.1)</u>	<u>(41,753)</u>	<u>(0.2)</u>
Total other income and (expense)	<u>46,989</u>	<u>0.2</u>	<u>97,440</u>	<u>0.4</u>
Net income	663,761	<u>2.7</u>	1,397,220	<u>6.1</u>
Retained earnings at the beginning of the year	4,883,991		3,872,763	
Purchase of treasury stock and retirement of other treasury stock held	<u>-</u>		<u>(385,992)</u>	
Retained earnings at the end of the year	<u>\$ 5,547,752</u>		<u>\$ 4,883,991</u>	

The accompanying notes are an integral part of the financial statements

# SECURED CAPITAL CORP

## STATEMENT OF CASH FLOWS DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
<b>Cash flows from operating activities</b>		
Net income	\$ 663,761	\$ 1,397,220
Adjustments:		
Depreciation	397,011	155,078
Loss on abandonment of equipment	19,647	-
Changes in assets and liabilities:		
(Increase)/decrease in accounts receivable	196,292	(557,726)
(Increase)/decrease in employee receivable	25,237	56,621
(Increase)/decrease in prepaid expenses	(47,637)	(80,761)
(Increase)/decrease in due from affiliates	(886,867)	57,530
Increase/(decrease) in accounts payable and accrued expenses	1,091,628	360,869
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>1,459,072</u>	<u>1,388,831</u>
<b>Cash flow from investing activities</b>		
Investments in equity securities	(6,000)	-
Deposits (made)/returned	5,091	(143,711)
Property and equipment purchased	(453,937)	(774,420)
Reimbursement for leasehold improvements	108,700	-
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(346,146)</u>	<u>(918,131)</u>
<b>Cash flow from financing activities</b>		
Purchase of stock from shareholders	-	(348,271)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<u>-</u>	<u>(348,271)</u>
<b>NET INCREASE IN CASH</b>	1,112,926	122,429
Cash at the beginning of the year	<u>4,238,816</u>	<u>4,116,387</u>
<b>CASH AT THE END OF THE YEAR</b>	<u>\$ 5,351,742</u>	<u>\$ 4,238,816</u>

The accompanying notes are an integral part of the financial statements

## SECURED CAPITAL CORP

### NOTES TO THE FINANCIAL STATEMENTS

**DECEMBER 31, 2001 AND 2000**

#### **NOTE 1: Summary of Significant Accounting Policies**

##### History of the Business

Secured Capital Corp, the Company, was incorporated on February 26, 1990 for the purpose of providing real estate finance, mortgage brokerage, and advisory services to owners of real estate assets located in the United States.

##### Cash and Cash Equivalents

Cash and cash equivalents are comprised of short term investments with original maturities of less than ninety days.

##### Property and Equipment

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the double declining balance and straight-line methods for financial statement purposes and on the MACRS and straight-line methods for income tax purposes.

##### Investments

Investments in companies in which the Company has less than a 20% interest are carried at cost. Dividends received from those companies are included in other income. Dividends received in excess of the Company's proportionate share of accumulated earnings are applied as a reduction of the cost of the investment.

##### Revenue Recognition

Revenue is recognized when the earnings process is complete.



**SECURED CAPITAL CORP**

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001 AND 2000**

**NOTE 1: Summary of Significant Accounting Policies (continued)**

Income Taxes

Only a small provision for income taxes has been made on the financial statements. Except for tax payable at the state and municipal level, which is subject to a reduced tax rate, Subchapter S corporations do not pay income taxes. Instead the net income or loss is allocated to the shareholders located in the United States.

Supplement Cash Flow Information

Cash paid for income taxes totaled \$39,197 and \$41,753 in 2001 and 2000, respectively. Cash paid for interest totaled \$5,324 and \$11,908 in 2001 and 2000, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2: Property and Equipment**

The following is a summary of property and equipment - at cost less accumulated depreciation:

	<u>2001</u>	<u>2000</u>
Office equipment	\$ 506,520	\$ 570,456
Furniture and fixtures	332,949	294,880
Leasehold improvements	<u>631,774</u>	<u>451,529</u>
	1,471,243	1,316,865
Less accumulated depreciation	<u>732,525</u>	<u>506,726</u>
Total	\$ <u>738,718</u>	\$ <u>810,139</u>

## SECURED CAPITAL CORP

### NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2001 AND 2000

#### NOTE 3: Commitments and contingencies

Minimum future lease payments under non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2001 for each of the next five years and in the aggregate are:

2002	\$ 884,080
2003	891,928
2004	890,228
2005	690,259
2006 and beyond	<u>1,494,625</u>
Total minimum future rental payments	\$ <u>4,851,120</u>

Rent paid in 2001 and 2000 totaled \$888,727 and \$627,231, respectively.

#### NOTE 4: Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital shall not exceed 15 to 1. At December 31, 2001, the Company had net capital of \$1,165,580, which was \$747,215 in excess of its required minimum net capital of \$278,910. The Company's net capital ratio was 3.6 to 1.

#### NOTE 5: Fair Value of Financial Instruments

##### Cash and Cash Equivalents, Receivables and Payables

The carrying amount approximates fair value because of the short-term maturity of those instruments.

## **SECURED CAPITAL CORP**

### **NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2001 AND 2000**

#### **NOTE 6: Related Parties**

The Company provides asset management services for various entities in which the Company's stockholders have invested. 2001 and 2000 revenue received from these related parties totaled \$2,998,664 and \$3,626,093 respectively.

The Company allocates a portion of its' salaries and overhead costs to related entities which operate in principal lines outside of the Company's United States business lines of real estate finance, mortgage brokerage and advisory services. 2001 and 2000 of salary and overhead costs allocated to related entities total \$ 1,043,062 and \$ 987,173 respectively.

The Company's stockholders control CCS Management, Inc., which, along with the Company, earns asset management incentive fees. Pursuant to a sub-servicing agreement, the Company paid CCS Management, Inc. \$558,600 and \$282,240 of asset servicing fees in 2001 and 2000, respectively.

In the normal course of business, the Company provides and receives non-interest bearing short-term loans to entities under common control. These loans will be repaid in 2002.

#### **Note 7: Revenue Earned From Major Clients**

The Company billed a significant portion of its services to three customers. During 2001, fees generated from these clients aggregated \$4,569,642. At December 31, 2001, none of these fees generated from these clients were included in trade receivables.

#### **Note 8: Uninsured Cash Balances**

The Company maintains its cash balances in one bank that is insured by the Federal Deposit Insurance Corporation up to \$100,000. Uninsured balances are approximately \$5,546,417 and \$4,135,258 at December 31, 2001 and 2000, respectively.

# SECURED CAPITAL CORP

## SCHEDULE 1 GENERAL AND ADMINISTRATIVE EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001		2000	
	Amount	%	Amount	%
Rent	\$ 888,727	3.5	\$ 627,231	2.7
Office supplies and expense	549,583	2.1	373,822	1.6
Depreciation	397,011	1.5	155,078	0.7
Other administrative expenses	367,786	1.4	305,045	1.3
Outside services and fees	328,488	1.3	258,213	1.1
Public relations and promotion	322,722	1.3	340,104	1.5
Advertising	239,288	0.9	225,807	1.0
Legal and accounting	210,162	0.8	460,510	2.0
Equipment rental	210,107	0.8	91,659	0.4
Telephone	201,574	0.8	172,718	0.8
Insurance	185,770	0.7	99,586	0.4
Dues and subscriptions	138,446	0.5	133,074	0.6
Parking	126,498	0.5	109,638	0.5
Postage and courier	102,975	0.4	79,423	0.3
Total general and administrative expenses	<u>\$ 4,269,137</u>	<u>16.5</u>	<u>\$ 3,431,908</u>	<u>14.9</u>

The accompanying notes are an integral part of the financial statements

**SECURED CAPITAL CORP**

**SCHEDULE 2**

**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF  
THE SECURITIES AND EXCHANGE COMMISSION  
AS OF DECEMBER 31, 2001**

**NET CAPITAL**

Stockholders' equity		\$ 5,637,030
Less non-allowable assets:		
Receivables on advisory services	\$ 1,146,508	
Employee and other receivables	49,403	
Prepaid expenses	199,307	
Due from affiliates	2,093,568	
Property and equipment, net of accumulated depreciaton	738,718	
Other assets	241,432	
		<u>4,468,936</u>
Net capital before haircuts		1,168,094
Haircuts on securities		
A. Money market		<u>2,514</u>
Net capital		\$ <u><u>1,165,580</u></u>

**AGGREGATE INDEBTEDNESS**

Accounts payable and accrued expenses	\$ <u>4,183,648</u>
Total aggregate indebtedness	\$ <u><u>4,183,648</u></u>

**COMPUTATION OF BASIC NET CAPITAL  
REQUIREMENT**

Minimum net capital required	\$ <u>278,910</u>
Excess net capital	\$ <u>886,670</u>
Excess net capital at 1000%	\$ <u>747,215</u>
Ratio aggregate indebtedness to net capital	<u>3.6 to 1</u>

**SECURED CAPITAL CORP**

**SCHEDULE 3  
RECONCILIATION OF THE COMPUTATION OF NET  
CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES  
AND EXCHANGE COMMISSION  
AS OF DECEMBER 31, 2001**

Net capital as reported in Company's part II (unaudited) FOCUS report	\$ 1,351,902
Adjustments	
Allowable asset excluded from Focus report, net of required haircut	123,164
Audit adjustment to accrued expenses	<u>(309,486)</u>
Net capital at December 31, 2001	\$ <u>1,165,580</u>

**SECURED CAPITAL CORP**

**SCHEDULE 4  
COMPUTATION OF DETERMINATION OF RESERVE  
REQUIREMENTS UNDER RULE 15c3-3 OF THE  
SECURITIES AND EXCHANGE COMMISSION  
AS OF DECEMBER 31, 2001**

**EXEMPTIVE PROVISION**

The Company claims an exemption for computation of reserve requirements and information for possession or control requirements according to the provisions of Rule 15c3-3(k)2.

# DAHLERBRUCH ACCOUNTANCY CORPORATION

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*Craig Dahlerbruch, CPA*  
*Laurie A. Dahlerbruch, CPA*

Board of Directors  
Secured Capital Corp

In planning and performing our audit of the financial statements and supplemental schedules of Secured Capital Corp for the year ended December 31, 2001, we considered its' internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17-a5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.



Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001, to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and should not be used for any other purpose.

*Dahlerbruch Accountancy Corporation*

Dahlerbruch Accountancy Corporation  
February 21, 2002